

Message Text

CONFIDENTIAL

PAGE 01 STATE 130769

60

ORIGIN EB-07

INFO OCT-01 NEA-10 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-03 USIA-06

SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00 FRB-03 PA-01

PRS-01 /094 R

DRAFTED BY EB/ORF/FSE:MVCREEKMORE

APPROVED BY EB/ORF - JLKATZ

EB/ORF/FSE - LRRACHT

NEA/ARP - FMDICKMAN

NEA - SSOBER

EB/CBA - MR. NESVIG

----- 052588

P 042325Z JUN 75

FM SECSTATE WASHDC

TO AMEMBASSY ABU DHABI PRIORITY

C O N F I D E N T I A L STATE 130769

E.O. 11652: GDS

TAGS: ENRG, TC

SUBJECT: UAE PETROLEUM MINISTRY INTEREST IN GAS SUPPLY
WITH U.S.

REF: ABU DHABI 1170

1. THE USG CANNOT TAKE A POSITION ON A LONG-TERM GAS
ARRANGEMENT WITH ABU DHABI AT THIS TIME. THE ADMINISTRA-
TION'S ENERGY RESOURCES COUNCIL IS CURRENTLY ENGAGED IN A
HIGH-LEVEL REVIEW OF IMPORTED LIQUEFIED NATURAL GAS (LNG)
IN AN EFFORT TO DEVELOP A COMPREHENSIVE LNG POLICY WITHIN
THE NEXT MONTHS. GAS INDUSTRY SOURCES INSIST THAT FOREIGN
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 STATE 130769

LNG WILL BE NEEDED TO MEET FUTURE US GAS DEMANDS, BUT THIS

CONCLUSION IS SUBJECT TO DISPUTE. WHILE IT IS TOO EARLY TO PREDICT THE POLICY RECOMMENDATION THAT WILL EMERGE FROM THE ERC'S DELIBERATIONS, THERE IS CONSIDERABLE SENTIMENT HERE AGAINST LNG IMPORTS FOR THE FOLLOWING REASONS:

A) INCREASING LNG IMPORTS RUNS COUNTER TO OUR NATIONAL OBJECTIVE OF REDUCING OUR DEPENDENCY ON FOREIGN ENERGY SUPPLIES.

B) THE LARGE CAPITAL COSTS OF THE PROJECTS AND THE HIGH PRICE BEING DEMANDED FOR LNG RAISES SERIOUS QUESTIONS AS

TO WHETHER ADDITIONAL LNG IMPORTS ARE IN OUR INTEREST.

C) LNG IMPORTS MAY BE LESS SECURE THAN OIL IMPORTS. BECAUSE OF THE SPECIAL LIQUEFACTION AND TRANSPORT FACILITIES INVOLVED, THE LNG SUPPLY LINE WOULD LACK FLEXIBILITY. MOREOVER, THE DEPENDENCE WOULD BE CONCENTRATED GEOGRAPHICALLY RATHER THAN SPREAD OUT THROUGH THE COUNTRY AS A WHOLE.

D) SINCE LNG CONTRACTS ARE FOR 20-30 YEARS, WE WOULD BE LOCKED INTO HIGH COST LNG SUPPLIES EVEN IF OIL PRICES FALL IN THE FUTURE OR IF NEW CHEAPER ENERGY SOURCES COME ON STREAM.

2. THE ROLE OF LNG IN OUR NATIONAL ENERGY BALANCE IS CLOSELY CONNECTED WITH OTHER ADMINISTRATION ENERGY PROPOSALS. IF CONGRESS APPROVES DEREGULATION OF DOMESTIC GAS PRICES, DOMESTIC SUPPLY SHOULD INCREASE SIGNIFICANTLY AND DEMAND WILL BE DAMPENED, BOTH IN TERMS OF REDUCED USAGE AND SHIFTS BY SOME INDUSTRIAL USERS TO OTHER TYPES OF ENERGY. WITH DEREGULATION, THE NEED FOR FOREIGN GAS SUPPLIES WILL BE SUBSTANTIALLY REDUCED.

3. THE ERC'S DELIBERATIONS ON LNG HAVE NOT DISCOURAGED US FIRMS FROM PUSHING FORWARD WITH LNG DEALS. ONE FIRM RECENTLY SIGNED A CONTRACT WITH INDONESIA, AND ANOTHER IS EXPECTED TO CONCLUDE AN AGREEMENT WITH ALGERIA THIS MONTH. BEFORE THIS LNG CAN BE IMPORTED, HOWEVER, APPROVAL MUST BE OBTAINED FROM THE FEDERAL POWER COMMISSION, WHOSE REVIEW OF APPLICATIONS NORMALLY TAKES 15-24 MONTHS. KISSINGER

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 STATE 130769

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: EXPLORATION, PETROLEUM INDUSTRY, ENERGY, LPG, GAS RESERVES
Control Number: n/a
Copy: SINGLE
Draft Date: 04 JUN 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: greeneet
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE130769
Document Source: CORE
Document Unique ID: 00
Drafter: MVCREEKMORE
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750196-0056
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750680/aaaacvje.tel
Line Count: 107
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 75 ABU DHABI 1170
Review Action: RELEASED, APPROVED
Review Authority: greeneet
Review Comment: n/a
Review Content Flags:
Review Date: 20 AUG 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <20 AUG 2003 by BoyleJA>; APPROVED <08 DEC 2003 by greeneet>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: UAE PETROLEUM MINISTRY INTEREST IN GAS SUPPLY WITH U.S.
TAGS: ENRG, TC
To: ABU DHABI
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006